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ARIZONA CORPORATION COMMISSION

October 5, 2005

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AZ CORP COMMISSION
DOCUMENT CONTROL

Mr. Mark Grapp
WATCO
P.O. Box 1270
Show Low, Arizona 85902

RE: WATCO – Application for Extension of its Certificate of Convenience and Necessity (CC&N) Docket No. W-01979A-05-0645
INSUFFICIENCY LETTER

Dear Mr. Grapp:

In reference to the above mentioned application filed on September 6, 2005, this letter is to inform you that the application has not met the sufficiency requirements as outlined in the Arizona Administrative Code. The deficiencies are:

1. Please provide information on the rates and charges the Company plans to charge the newly acquired customers in the proposed extension area for water service.
2. Please provide a copy of the Arizona Department of Environmental Quality's Approval to Construct the water facilities to serve the proposed extension area. If the Approval to Construct has not been issued, please inform Utilities Division Staff ("Staff") of the status of the application for the Approval to Construct.
3. Please provide a copy of the County or Municipal Franchise agreement that includes the proposed extension area. If the franchise agreement has not been issued, please inform Staff of the status of the application for the franchise agreement.
4. Please provide a copy of the Arizona Department of Water Resources ("ADWR") Designation of Assured Water Supply or Certificate of Assured Water Supply for the CC&N area requested. If none of these are available, please provide a copy the ADWR's Physical Availability Determination. If a determination of Assured Water Supply has not been obtained from ADWR, please inform Staff of the status of the application for that determination.
5. Please indicate who will be providing wastewater service in the proposed extension area.

6. Attached is the Arizona Department of Environmental Quality ("ADEQ") Drinking Water Compliance Status Report for Silver Well Service Corp., Public Water System ID #09-027. The Report indicates that this system has major deficiencies for Monitoring and Reporting Status. Please indicate what actions the Company has taken and/or intends to take to address these deficiencies so that this system is in full compliance with ADEQ requirements.
7. Please submit a drinking water design report which clarifies how water will be provided to the proposed CC&N extension area.

The report should identify existing and future sources, the capacities of existing sources, the estimated capacities of future sources and any existing demand on the present water sources.

The report should include the estimated water demand from a typical dwelling unit, the estimated demand from the proposed CC&N extension area.

The report should identify the location of future and existing transmission mains and include the timing or construction phasing of facilities.

The design report should describe water quality and address any water quality problems with the existing and future sources of water (for example, will extra treatment costs arise in order to meet existing or future maximum contaminant levels for arsenic, nitrates or fluorides in the drinking water and if so, how does the applicant plan to fund the necessary treatment plant additions?).

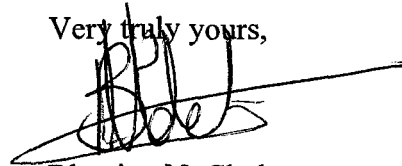
Please provide any other information which will allow the Commission to analyze and conclude that the company has sufficient water production capacity, or can develop enough drinking water capacity to service the existing and future demands from the proposed CC&N area.

Staff would like to use this opportunity to bring the following to your attention:

- Pursuant to the Arizona Administrative Code ("A.A.C.") R-14-2-411(C), upon meeting sufficiency requirements, the Commission has 150 calendar days for its substantive review. This includes conducting a hearing and preparing Opinion and Order to present to the Commission at an Open Meeting; and
- Pursuant to A.A.C. R14-2-411(C)(3), Staff may terminate an application if the applicant does not remedy all deficiencies within 60 calendar days of the notice of deficiency.

Please file your response to this Insufficiency Letter with Docket Control. If you have any questions concerning this matter, please do not hesitate to contact me at 602-542-0840 and Del Smith at 602-542-7277.

Very truly yours,

A handwritten signature in black ink, appearing to be "B. Chukwu", written over a horizontal line.

Blessing N. Chukwu
Executive Consultant III

BNC

cc: Docket Control
Del Smith
Lyn Farmer
Brian Bozzo
Vicki Wallace

Arizona Department of Environmental Quality
Water Quality Compliance Assurance Unit
1110 W. Washington Street, 5415B-1
Phoenix, AZ 85007

Drinking Water Compliance Status Report

Public Water System Name: Silver Well Service Corp.

Public Water System ID #: 09-027

Public Water System Type: ☒ CO ☐ Non-transient Non-community ☐ Transient Non-community

Overall Compliance Status: ☐ No Major Deficiencies ☒ Major Deficiencies

Monitoring and Reporting Status: ☐ No Major Deficiencies ☒ Major Deficiencies

Comments:

This system has failed to provide calendar year 2004, consumer confidence report.

Operation and Maintenance Status: ☒ No Major Deficiencies ☐ Major Deficiencies

Comments:

Major unresolved/ongoing operation and maintenance deficiencies:

- | | |
|---|---|
| <input type="checkbox"/> unable to maintain 20psi | <input type="checkbox"/> inadequate storage |
| <input type="checkbox"/> cross connection/backflow problems | <input type="checkbox"/> surface water treatment rule |
| <input type="checkbox"/> treatment deficiencies | <input type="checkbox"/> approval of construction |
| <input type="checkbox"/> certified operator | <input type="checkbox"/> other |

Date of last inspection / sanitary survey: 5-13-02

Administrative Orders:

Is an ADEQ administrative order in effect? ☐ Yes ☒ No

Comments:

System information:

Number of Points of Entry 1 Number of Sources 1 Population Served 706

Service Connections 752 Initial Monitoring Year 1994 Initial MAP Year 2000

Evaluation completed by: Jim Puckett

Phone: 602-771-4649 **Date:** 9-7-05

Based upon data submitted by the water system, ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. This compliance status report does not guarantee the water quality for this system in the future. This compliance status report does not reflect the status of any other water system owned by this utility company.